**Press Release – For Immediate Release**

# Newly Approved European Legislation on Non-Financial Information Disclosure Sends Strong Signals to Companies, but Falls Short of Responsible Investors' Expectations

**15 April 2014; Brussels, Belgium:** Eurosif (the European Sustainable and Responsible Investment Forum) welcomes the results of the vote by the European Parliament on legislation requiring the disclosure of non-financial and diversity information by certain large European companies. The legislation was approved earlier today.

Once approved by the Council and passed into law, the legislation will represent an important milestone in Europe's journey toward more corporate transparency. It will be the first time that information related to environmental, social, employee, human rights, corruption and bribery matters will be explicitly required to be disclosed in companies' management reports. The new legislation is a clear improvement on that which is currently in place, as it expands the areas to be covered in the disclosure and implements a mandatory "comply or explain" approach.

It sends a clear signal to companies that non-financial information can be material to their performance and competitiveness at a time when a growing number of investors are taking environmental, social and governance (ESG) information into account in their investment decisions.

For many years, Eurosif has been a strong advocate for the disclosure of material, comparable and timely ESG information. The organisation, who is representing a wide range of participants alongside the sustainable and responsible investment chain, has been active on this legislative dossier, participating in early discussions during the preparation of the Proposal, suggesting a number of improvements and generally advocating for its passage into law.

Eurosif is disappointed that the text of the legislation was significantly weakened during the course of trilogue negotiations. Despite flexibility embedded in the initial proposal from the European Commission and efforts by the Legal Affairs (JURI) Committee of the European Parliament to strengthen it even further, some Member States and business organisations were not as supportive.

In particular, Eurosif regrets that the legislation:

- Will only apply to large "public interest enterprises". As it is estimated that legislation will only cover about 6,000 (primarily listed) companies (significantly less than the 18,000 listed and non-listed companies that the Commission's original proposal was intended to cover), the legislation does not "level the playing field" to the degree Eurosif believes necessary.

- Does not contain any meaningful assurance measures. It only requires the auditor of the management report to ensure the existence of the non-financial information statement; the decision to require verification of the actual information and data contained in the statement has been left up to individual Member States.
- Allows companies (under certain circumstances) to delay the publication of the disclosure of non-financial information by up to six months following the financial data for the same time period. From an investor perspective, a time lag of this magnitude would render the information significantly less relevant.
- Does not prescribe the use of specific key performance indicators (KPIs), which would allow investors to compare companies more easily. However, this issue may be addressed soon, as the legislation requires the Commission to develop guidance (albeit non-binding) – including general and sectoral KPIs – in the coming months.

François Passant, Executive Director of Eurosif, commented:

"Having harmonised European regulation regarding non-financial information disclosure has been a long-standing request of the sustainable and responsible investment community. Today's vote by the European Parliament is historic from that respect. While the text of the legislation is probably the best compromise that could be reached at this stage, it falls short in a number of areas important to sustainable and responsible investors, most notably scope and assurance. Eurosif will therefore continue to engage with policy-makers on these and work with other market forces to progress reporting practices."

The Council is expected to formally approve the legislation later this month.

## ENDS

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**About Eurosif :**
Eurosif is the leading pan-European sustainable and responsible investment (SRI) membership organisation whose mission is to promote sustainability through European financial markets. Eurosif works as a non-for-profit partnership of several Europe-based national Sustainable Investment Forums (SIFs) with the direct support and involvement of over 65 Member Affiliate organisations drawn from the sustainable investment industry value chain. These Member Affiliates include institutional investors, asset managers, financial services, index providers and ESG research and analysis firms. Eurosif's indirect European network spans across over 500 Europe-based organisations. The main activities of Eurosif are public policy, research and creating platforms for nurturing sustainable investing best practices. www.eurosif.org